

**REPORT OF THE AUDIT OF THE
SHELBY COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

May 19, 2003



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CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Rob Rothenburger, Shelby County Judge/Executive
Honorable Mike Armstrong, Shelby County Sheriff
Members of the Shelby County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the Shelby Sheriff's Settlement - 2002 Taxes as of May 19, 2003.

We engaged Carpenter, Mountjoy & Bressler, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC evaluated the Shelby County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
SHELBY COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES

May 19, 2003

Carpenter, Mountjoy & Bressler PSC has completed the audit of the Sheriff's Settlement - 2002 Taxes for Shelby County Sheriff as of May 19, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$1,786,976 for the districts for 2002 taxes, retaining commissions of \$43,376 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,728,589 to the districts for 2002 Taxes. Taxes of \$375 are due to the districts from the Sheriff and refunds of \$120 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky

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Honorable Mike Armstrong, Shelby County Sheriff

Members of the Shelby County Fiscal Court

Independent Auditor's Report

We have audited the Shelby County Sheriff's Settlement - 2002 Taxes as of May 19, 2003. This tax settlement is the responsibility of the Shelby County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Shelby County Sheriff's taxes charged, credited, and paid as of May 19, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

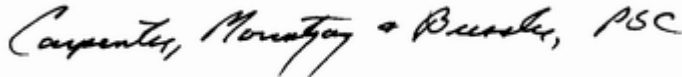
Honorable Rob Rothenburger, Shelby County Judge/Executive

Honorable Mike Armstrong, Shelby County Sheriff

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In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in dark ink on a light-colored background.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
December 19, 2003

SHELBY COUNTY
MIKE ARMSTRONG, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES

May 19, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Transferred From Former Sheriff	\$ 181,775	\$ 332,586	\$ 941,565	\$ 270,445
Franchise Corporation	36,795	54,185	185,436	
Penalties	9,341	14,081	48,461	14,946
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Gross Chargeable to Sheriff	\$ 227,911	\$ 400,852	\$ 1,175,462	\$ 285,391
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<u>Credits</u>				
Exonerations	\$ 223	\$ 233	\$ 1,173	\$ 267
Discounts	3	1,034	14	3
Delinquents:				
Real Estate	31,067	49,600	161,995	37,558
Tangible Personal Property	2,156	1,405	9,984	4,694
Intangible Personal Property				1,231
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Total Credits	\$ 33,449	\$ 52,272	\$ 173,166	\$ 43,753
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Taxes Collected	\$ 194,462	\$ 348,580	\$ 1,002,296	\$ 241,638
Less: Commissions *	8,265	9,807	15,034	10,270
	<hr/>	<hr/>	<hr/>	<hr/>
Taxes Due	\$ 186,197	\$ 338,773	\$ 987,262	\$ 231,368
Taxes Paid	184,245	335,855	978,118	230,371
Refunds (Current and Prior Year)	1,973	2,555	9,243	985
	<hr/>	<hr/>	<hr/>	<hr/>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	\$ (21)	\$ 363	\$ (99)	\$ 12
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* And ** See Page 4.

The accompanying notes are an integral part of this financial statement.

SHELBY COUNTY
 MIKE ARMSTRONG, SHERIFF
 SHERIFF'S SETTLEMENT - 2002 TAXES
 May 19, 2003
 (Continued)

* Commissions:

4.25% on	\$	63,601
1.50% on	\$	1,002,296
1% on	\$	154,079

** Special Taxing Districts:

Library District	\$	(7)
Health District		(6)
Extension District		(4)
Shelby Suburban Fire District		(12)
Ballardsville Fire District		415
Peewee Valley Fire District		(20)
Mt. Eden Fire District		(1)
U.S. 60 East Fire District		(1)
Meadowbrook Sewer District		(1)

Due Districts or (Refund Due Sheriff)	\$	<u>363</u>
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SHELBY COUNTY
NOTES TO FINANCIAL STATEMENT

May 19, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 19, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENT
May 19, 2003
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 6, 2003 through May 19, 2003.

Note 4. Interest Income

The Shelby County Sheriff earned \$1,946 as interest income on 2002 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Shelby County Sheriff collected \$65,529 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of December 19, 2003, the Sheriff owes \$991 in 10% add-on fees to his fee account.

Note 6. Advertising Fees

The Shelby County Sheriff collected \$2,063 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising fees will be used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments and Unexplained Receipts Should be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed monies. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2002 incoming Sheriff's taxes, the Sheriff had \$1,679 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Certified Public Accountants and Consultants

To the People of Kentucky

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Shelby County Sheriff's Settlement - 2002 Taxes as of May 19, 2003, and have issued our report thereon dated December 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Shelby County Sheriff's Settlement - 2002 Taxes as of May 19, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

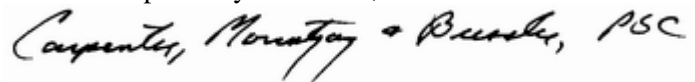
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shelby County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
December 19, 2003

